

NATIONAL

real estate

and BUILDING JOURNAL

FEBRUARY 1956

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NAHB Chicago Convention Report

Builders Prepare for Harder Selling - - - page 18

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VALUE!

Plan Now for Bigger Profits in 1956...Build *Inland homes*

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Available in
6 exteriors, either
left or right hand
models, with
choice of
alternate floor
plan.



Inland Homes are of conventional type construction and appearance.
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Over 60 different models let you offer a variety of homes, prevents the usual look of sameness found in many projects. Plan now on Inland and realize more profits in 1956. Write us for complete information using your letterhead. Wire or phone for appointment—phone 3880.

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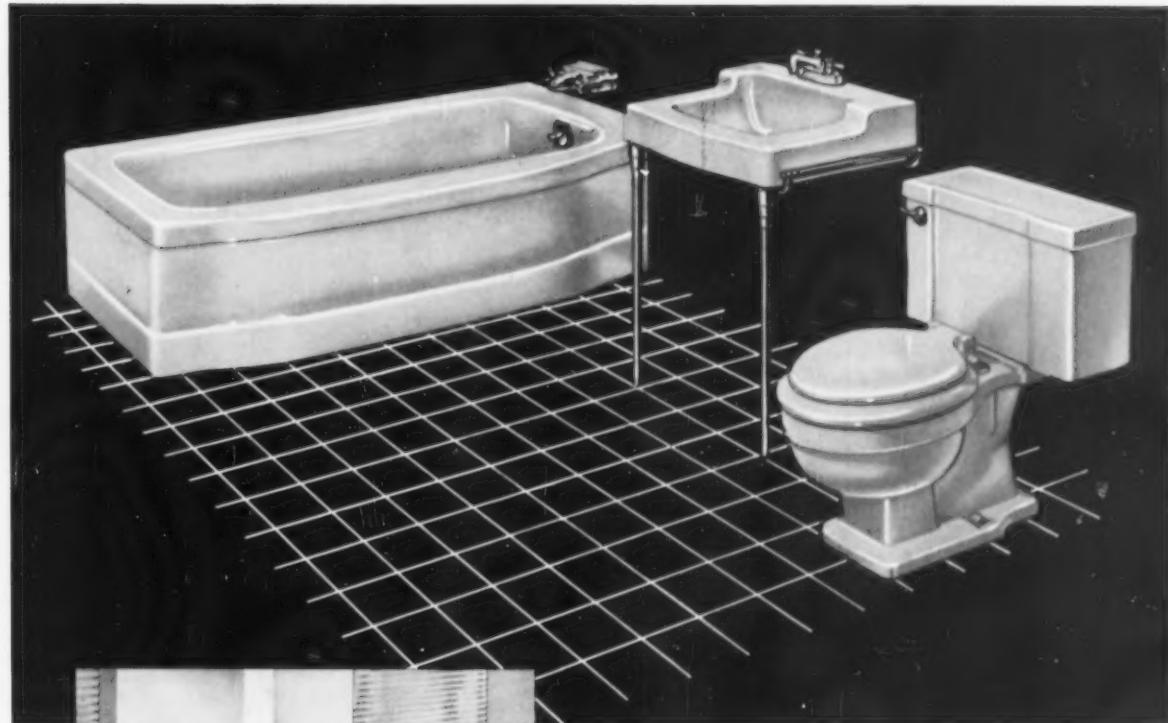


Inland homes

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COLOR IS THE KEYNOTE FOR 1956 BATHROOMS



**Briggs Beautyware
features New Models,
New Arrangements
and New Decorative
Color Treatments.**

The trend to color in today's bathrooms was particularly well illustrated in the outstanding Briggs Beautyware exhibit at the recent N. A. H. B. Show in Chicago. Designed by Howard Ketcham, noted New York color consultant, it featured

five distinctive bathrooms—each one equipped with fixtures in a different Beautyware color. The result—five most interesting and unusual color arrangements and decorative color treatments that were the talk of the N. A. H. B. Show.

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in the



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CENTER**
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NATIONAL real estate and BUILDING JOURNAL

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Cover Photograph

Chicago's Conrad Hilton hotel was the scene of the 12th Annual Convention and Exposition of the National Association of Home Builders last month. The Hilton is the large building in the center foreground.

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The Hotpoint Kitchens In These Chapel Hill Homes Include . . . (1) Hotpoint Automatic Dishwasher, (2) Automatic Washer, (3) Automatic Dryer, (4) Super-Stor Refrigerator-Freezer, (5) Customline Oven, (6) Customline Built-in Surface Cooking Unit.

Hotpoint Colortone Appliances Help Sell Fifty-Four \$11,990 Homes in First Week-end Offered!

Paulsen Bros. Uses Them To Highlight Low-Cost Homes In Chapel Hill Development

IT'S a matter of simple arithmetic in Chapel Hill. 5 Hotpoint Colortone Appliances . . . plus surface cooking unit in stainless finish . . . plus 5 other quality extras . . . plus a price under \$12,000>equals 54 homes sold on the opening week-end!

This came as no surprise to Paulsen Brothers, who developed this attractive Long Island community. They planned it that way—by featuring a Hotpoint Colortone Kitchen in a house that offers 3 bedrooms, baseboard hot water heat, full basement, attached garage, and a large landscaped lot at \$11,990 complete.

To fully capitalize on the kitchen's growing influence on selling the home, these three steps were taken: (1) Hotpoint Appliances were specified; (2) Hotpoint Colortones were selected; (3) and all promotion stressed the "Hotpoint Home."



There are Hotpoint kitchen and home laundry appliances for every home, regardless of style or price: conventional, "free-standing" models, ultra-modern built-ins, unified modular kitchens, all in a choice of white, stainless, or 5 Colortone finishes. Be sure to include a full line of matched Hotpoint Appliances in your homes. Sales will be easier, you make a larger profit, and your customers will appreciate the convenience of being able to include the famous Hotpoint Appliances in their VA or FHA mortgage.

See your Hotpoint Distributor—his Builder Specialist will be happy to help you create a kitchen that sells your homes.

Whether you are selling low-cost homes for the mass market, custom homes where "price is no object," or for the middle-priced range, be sure to include a full line of matched Hotpoint appliances in the kitchen.

"The kitchen is the ideal showcase for quality in a home. No other room is used more often, is more important, or comes under closer scrutiny by the prospect. That's why we chose to install and promote Hotpoint Colortone Appliances in our Chapel Hill homes."

Paulsen Bros.

Look to Hotpoint for the finest-first!

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HOTPOINT CO. (A Division of General Electric Company) 5600 West Taylor Street, Chicago 44, Illinois

THE JOURNAL REPORTS

New prediction — 1.3 million housing starts for

1956. Builders have grown more optimistic since last month. The reason: extension of FHA-VA maximum terms to 30 years and a feeling on the part of the money managers that the 1955 credit-tightening actions did their job on home production and that it's now time to encourage more mortgage credit to keep up the home building pace. For more details see the NAHB convention report in this issue.

Cement shortages may plague you this year. Best

to determine your needs now and get your bids in the mill. This is an election year and you can bet the politicians who've promised better roads and streets will be pushing their paving programs as a last stand to insure re-election. We used about 284 million barrels last year. This year we'll need 290 million. Gypsum board shortages have crept into some areas. Good idea to determine your needs early on this item also, and encourage your contractors to do the same.

Land pools may be the answer to your land prob-

lem. This can work especially well if you're selling new houses for contractors. Get their land for them. Get it all in a big lump and parcel it out according to a master plan you work out. If necessary, team up with other real estate or land development companies. This can work even in relatively small cities. The land shortage problem will get worse before it improves. By joining forces you can improve it faster. (See the November 1955 JOURNAL.)

FNMA announced its first stock dividend January

25 of 17¢ per share to be paid April 16 to stockholders of record as of January 31. The stockholders are lenders who've sold mortgages to the Federal National Mortgage Association. They're required to subscribe to stock on the basis of 3% of the unpaid principal of the mortgage. At the end of 1955, total stock subscription was \$2.6 million, which is 3% of the aggregate mortgage purchases since November 1, 1954, of \$86.1 million. Start of dividend payments should push up the price of FNMA stock, which is now selling under the \$100 par in over-the-counter transactions.

Prefabricated schools and churches may temporar-

ily help you solve the problems of expanding student populations in your local "bedroom" communities. A Tulsa Realtor-builder reports, for example, his city has some \$100,000 worth of prefabricated schools that are erected in critical areas until permanent schools can be built. They are then dismantled and re-erected in other areas.

Now, 25% of the proceeds of a Section 207 loan

must be used for repairs or rehabilitation of the property in question rather than 50%. FHA

hopes the reduction will provide a greater incentive for improving old apartment houses in declining areas. This section of the Housing Act covers structures for 12 families or more.

The public housing specter again looms before us.

The President requested an additional 35,000 housing units a year for two years, but he urged Congress to restore the provisions of the Housing Act of 1954, repealed in 1955, which limited new public housing to communities with workable programs for the prevention and elimination of slums, or with slum clearance projects underway. You can expect a battle on this issue.

Will Congress permit the demise of the VA loan

guaranty program? It expires July 25, 1957. To date 4.5 million veterans have acquired homes under the program. In his budget message last month, President Eisenhower hinted the administration's attitude is to let it expire: "As a group, they (veterans) have made the transition from military to civilian life and do not require extension of these benefits."

HOUSING STARTS — PUBLIC AND PRIVATE

(Underlined figures indicate record for that period)

	1950	1951	1952	1953	1954	1955
Jan.	78.7	85.9	64.9	72.1	66.4	87.6
Feb.	82.9	80.6	77.7	79.2	75.2	89.9
Mar.	117.3	93.8	103.9	105.8	95.2	113.8
Apr.	133.4	96.2	106.2	111.4	107.7	132.0
May	149.1	101.0	109.6	108.3	108.5	137.6
June	144.3	132.5	103.5	104.6	116.5	134.8
July	144.4	90.5	102.6	96.7	116.0	122.6
Aug.	141.9	89.1	99.1	93.2	114.3	124.7
Sept.	120.6	96.4	100.8	95.1	115.7	114.9
Oct.	102.5	90.0	101.1	90.1	110.7	107.0
Nov.	87.3	74.5	86.1	81.5	103.6	90.0
Dec.	93.6	60.8	71.5	65.8	90.6	75.0
Yearly						
Totals	1,396	1,091	1,127	1,104	1,220	1,330

Seasonally adjusted annual rate (private only), last 12 months:

January	1,416,000
February	1,370,000
March	1,367,000
April	1,350,000
May	1,362,000
June	1,371,000
July	1,283,000
August	1,310,000
September	1,251,000
October	1,242,000
November	1,203,000
December	1,187,000

Almost 1.33 million nonfarm homes were started in 1955, second only to the record 1.396 million units in 1950 and 9% higher than in 1954. December starts declined about as expected at this time of year to 75,000 units — 17% below November. This was the highest fourth-quarter rate in any year except 1954, when builders had abundant mortgage funds available on favorable terms. Of the 1955 starts, almost 1.311 million were privately owned and 19,000 were in public housing projects. More privately-owned single family houses were started in 1955 than in any previous year — not excepting 1950, which had a large volume of public and rental housing.

THE GENERAL* SAYS



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THE ALUMINUM WINDOW FIELD

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keeps you ahead of competition
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thru responsible local distributors
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from complete stocks in every area
- ★ Continuous Advertising
creates ready customer acceptance



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by **GENERAL BRONZE CORPORATION**

ALWINTITE DIVISION — GARDEN CITY, N. Y.



HORIZONTAL SLIDING WINDOWS

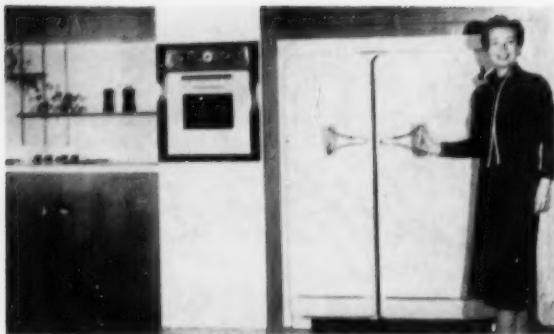
PICTURE SLIDING WINDOWS

DOUBLE-HUNG AND PICTURE WINDOWS

AWNING WINDOWS

VERTICAL WINDOWS

PICTURE-SLIDES DOORS



2-1



2-2



2-3



2-4

Kelvinator Built-ins for 1956

2-1

A unique, 16-foot refrigerator-freezer by Kelvinator, the "Foodarama," comes in white, eight pastel colors and a new brushed chrome exterior. Oven doors are available in same exteriors plus ebony to match or contrast with the "Foodarama." The stainless brushed chrome cooking top has four surface units with seven-position switches. A separate griddle has an infinite heat switch and a built-in rod heating element. The oven door comes in non-fogging glass window or solid door.

For "Gentle" Warmth and Cooling

2-2

A new 12-page, full-color catalog has just been published by the Thermo-Base Division of Gerwin Industries, Inc. Full-color photographs of typical residential, commercial and church installations are shown. A new table of capacities for various lengths of 6" pipe and elbows is given. The exclusive Thermo-Base method of sizing both heating and air conditioning jobs saves hundreds of hours of estimating time yearly for average jobs, says the manufacturer.

Hands-Free Telephone

2-3

The new Stromberg-Carlson Hands-Free Telephone makes telephone conferences easy, for the sensitive microphone picks up conversation from as far away as 20 feet, and the volume of the speaker can be adjusted so everybody in the room can hear. A microphone cut-off button temporarily disconnects the microphone if the conferees want to talk privately for a moment.

A "Kaleidoscope" of Color

2-4

The Formica Company has introduced a new pattern — Milano. Producing it requires a process entirely new to the laminated plastics industry — called "kaleidoscopic." Just as the kaleidoscope never projects the same pattern twice, Milano patterns never repeat themselves. The pattern is available in a selection of three basic colors — gray, antique and pink. Formica officials say they expect the new Milano to become one of the most popular and versatile in the

Portrait of a happy builder:

"222 homes in \$9,500 bracket... first group of 64 sold before completion... and every one with a 'Pioneer' kitchen..."

*says Mr. C. Grady Cates, Jr., President,
Hines Building Corp., Dallas, Texas*



This is the "Pioneer" kitchen of one of the 222 homes the Hines Building Corporation is building in Valwood Park, a \$45,000,000 planned community near Dallas. All 222 homes feature the birch and copper "Pioneer."

"Pioneer" Kitchens of birch, copper and steel give \$9,500 homes a truly luxurious look!

"The luxury of American Kitchens proved to be our most reasonable expenditure," says Mr. Cates, President of the Hines Building Corporation of Dallas. "They have been our main and most accepted selling point, and give our homes a luxurious look seldom found even in homes costing several times as much."

The "Pioneer" by American Kitchens is dramatic, exciting, modern—a stunning combination of natural birch and antique copper on a steel frame. It's easy to install and truly versatile—the "Pioneer" is perfect whether you're planning a simple kitchen center or a complete kitchen with matching appliances.

Most important, the "Pioneer" is a sales-clinching feature that adds comparatively little to your costs.

Whether your homes sell for \$10,000 or \$40,000, home buyers immediately recognize the "Pioneer" as the finest in quality and styling. Builders from all sections of the country have been delighted with the luxury look of the "Pioneer"—it sells homes faster!

So if you haven't already discovered the advantages of the "Pioneer" and other American Kitchens products, mail the coupon below. Let us *prove* to you that American Kitchens can sell your homes faster!

The Pioneer by
American Kitchens
DIVISION **AVCO** MANUFACTURING CORPORATION
SELLS YOUR HOMES FASTER!



**American Kitchens, Dept. NRE-26
Connersville, Indiana**

I'd like to have "no obligation" quotation on my next kitchens.
 Please send your new Architects' and Builders' File.

Name _____

Address _____

City _____ Zone _____ State _____



Manufacturers Trust Company, New York

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Reynolds Aluminum Applications In This Building:

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ReynoCoustic, aluminum acoustical system

Reynowall, interior partition system

Reynoside, aluminum siding in modern architectural designs

Reynodeck, aluminum roof deck

Write to: Reynolds Metals Company,
Building Products Division, 2016
South Ninth Street, Louisville 1, Ky.

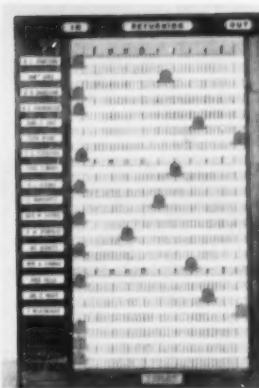


**REYNOLDS
ALUMINUM**

company's entire line. It is shown here in a bathroom application. Milano was designed by Raymond Loewy Associates.

Do You Know Who's In?

2-5



How would you like your telephone operator and receptionist to be able to tell at a glance which salesmen are out and when they will return? You can achieve this very easily and inexpensively with the "In and Out Register" manufactured by the Heirloom Company. The register is identical on both sides. Thus, you place it on the counter next to your operator and beside the path to the front door. Your salesmen set it as they come and go, and the operator can read it at a glance from her side of the register. Catalog will be sent upon request.

Conserve Space — Add Style and Beauty

2-6

Gerber Plumbing Fixtures Corporation announces the addition of a new vitreous china lavatory to its line. This lavatory has instant appeal wherever space is at a premium, yet where appearance is an important factor, says Gerber. Gerber designers used appearance as a basic starting point and developed a plumbing fixture which will undoubtedly become one of the most important items in the line. The new lavatory measures only 16" x 12 1/2" overall, yet it includes an ample splash back, a large bowl, front overflow, and all the utility features of a much larger fixture.



Deluxe Suburban Homes in Full Color

2-7

The complete line of 34 basic plans of Pease Homes is featured in the new "Book of Pease Homes for 1956." The 72-page catalog traces the building of Pease Homes from production line to erection and finishing at the building site and includes full color views of each Pease Homes plan.



A major section of the catalog is devoted to full color illustrations of deluxe suburban homes and demonstrates, pictorially, the flexibility of Pease design. A striking feature of the new catalog is a picture tour of the interior of the "Shorewood." In addition, the book contains plans for Pease Homes, specifications, details of alternate features and complete price information.

Speed Sales . . . Save Time and Money

2-8

Banished forever, with the introduction of the "Key Lokbox," are the annoyance and expense of making keys available to listed properties. This time

and money saving device is a new method of keeping keys to listings always available at the listings where they are needed. Modern and inconspicuous in design, the "Key Lokbox" fits instantly on the top, side or bottom of the door or window. It holds the key to the property,

and opens only with the key in possession of the Realtor. It is engineered with an Ace lock and barrel type key which cannot be duplicated, making it pilfer and tamper proof. A "Key Lokbox" on each property, plus only one master key in the pocket of the salesman, makes it possible to instantly show any listing. It is distributed exclusively by Moorlee Display Advertising of Beverly Hills, California.

Complete Lawn Care in One Operation

2-9

A revolutionary new machine, the Lawnsnaper, incorporates all the equipment necessary for complete lawn care in one compact, self-powered unit. In one single operation, and with a single operator, it performs the numerous functions previously done by several machines, or by hand, including mowing,



mulching, aerating, rolling, reseeding and fertilizing, as well as distributing chemicals for the control of crab grass, insects and weed seed killing.

For Teaching Construction to Salesmen

2-10

A pre-cut home building kit for youngsters and oldsters is now available in knockdown form. This kit contains 550 pieces of pine wood, heavy board floor plan which serves as a foundation, and all drawings of walls and partitions. Paper siding, a bright red roof, and glue complete the set. The model is put together by the same construction steps as a carpenter

(Please turn to page 39)

The Modern Builder's ...Money Maker!

Selected for the NAHB Housing Hall of Fame, this home is only one of many Allen Homes models which can help you increase sales and profits . . . even in a more competitive market! Our *complete builder service* assures you a smooth, trouble-free operation. Quality components in the Allen package maintain your local reputation and integrity as a leading builder.

WRITE TODAY for our BUILDER MANUAL with complete details:

ALLEN INDUSTRIES, INC.
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Design and Quality...
ALLEN Homes
Selected for the NAHB 1956 Housing HALL OF FAME



Designed by
DONALD H. HONN
A.I.A.

ALLEN homes • CUSTOM FLEXIBILITY • PRODUCTION LINE ECONOMY

Guide To NEW PRODUCTS & ADVERTISERS

Use the Handy Inquiry Form below for more information on new materials and advertised products.

How to use this Guide: The number to the left of a manufacturer's name is duplicated on the Inquiry Form. Mark the numbers on the Form about which you want more information at no cost or obligation. Cut out Inquiry Form and mail today.

NEW PRODUCTS

- 2 1 Kelvinator Division, American Motors Corp.
— Kelvinator Built-Ins for 1956
- 2 2 Thermo-Base Division, Gerwin Industries, Inc.
— For "Gentle" Warmth and Cooling
- 2 3 Stromberg-Carlson
— Hands-Free Telephone
- 2 4 Formica Company
— A "Kaleidoscope" of Color
- 2 5 Heirloom Company
— Do You Know Who's In?

Journal Handy Inquiry Form

Products Editor

NATIONAL REAL ESTATE AND BUILDING JOURNAL
427 Sixth Avenue S.E., Cedar Rapids, Iowa

I want to know more about the items checked below. Please see that complete information is sent to me without cost or obligation.

2.1	2.8	2.15	2.22	2.29
2.2	2.9	2.16	2.23	2.30
2.3	2.10	2.17	2.24	2.31
2.4	2.11	2.18	2.25	2.32
2.5	2.12	2.19	2.26	2.33
2.6	2.13	2.20	2.27	2.34
2.7	2.14	2.21	2.28	2.35

Name _____ Title _____

Firm

Street

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— Conserve Space — Add Style and Beauty
- 2-7 Pease Woodwork Company
— Deluxe Suburban Homes in Full Color
- 2-8 Moorlee Display Advertising
— Speed Sales . . . Save Time and Money
- 2-9 Lawnscape Corporation of America
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- 2-10 Toy Construction Kits, Inc.
— For Teaching Construction to Salesmen
- 2-11 Frigidaire Division, General Motors Corp.
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- 2-12 Newark Ladder and Bracket Company
— Hideaway Attic Stairway
- 2-13 Aids Development Company, Inc.
— New Automatic Display
- 2-14 Stelzer Moldings
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— Need a Savings and Loan Directory?
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To make any home "different"—

Curtis[®]

*Silentite
Convertible windows*

Because they can be used in so many different ways for different homes, Curtis Silentite Convertible wood windows provide distinctive individuality—avoiding the monotony of "look-alikes." Silentite Convertibles can be used as awning sash...as casements...as fixed sash in window walls...or as ribbon windows. Available in 11 sizes of sash units and three stationary frames. The hardware is lifetime-lasting, good-looking nylon Zytel.



To make any home more weather-tight—

Curtis[®]

*Silentite
double-hung windows*

Air leakage...heat loss...have been cut to a new low in the Curtis Silentite double-hung wood window. Self-adjusting or "floating" weatherstrips assure year-round protection from weather and dust, yet leave the sash free-moving. Spring suspension provides finger-tip operation throughout the life of the house. Like all Curtis Silentite windows, it is *guaranteed*. Curtis Silentite double-hung wood window units are available in 7 different designs and in all the commonly used sizes.



To make any home more beautiful...
more practical—

Curtis[®]

*Silentite
casements*

Casements can be practical as well as beautiful—they need not stick, swing or rattle. In the Curtis Silentite casement, all the beauty has been retained—and all the unpleasantness eliminated. These complete pre-fit casement units are so weather-tight that independent tests show 41% less heat loss...45% less air infiltration...than standard competitive casements. Like all Curtis windows, these casements are preservative water repellent treated for long life. They are available in two widths and three sash types.

For the best in windows, look to

CURTIS
WOODWORK
heart of the home



Curtis Silentite windows are sold by leading lumber and building materials dealers everywhere. See your dealer soon—and mail the coupon for literature.

Curtis Companies Service Bureau
200 Curtis Building, NRB-2-56
Clinton, Iowa



Please send information on Curtis Silentite windows.

Name

Address

City State

Public Relations Means Making People Want to Do Business With You

Someone once made the keen observation that you can lead a horse to water but you can't make him drink. We can't dispute that for a moment, but we wonder if a more ingenious person couldn't make that horse *want* to drink. A salt lick might do the trick.

Thinking it over, how many times recently have you made a purchase because you *wanted* to do business with a certain individual or company? They didn't force anything on you. Rather, they made it a pleasant experience to buy. You trusted them. You liked their courteous treatment and their personal interest in you. You were sold on doing business with them before you were sold on the item you finally purchased.

It's much the same in real estate. A home seeker, for example, could buy a certain listed home from almost any real estate person in town. The home may be on an exclusive, but the listing broker usually will be glad to cooperate with another broker who has a buyer. So why does

the home-seeker go to a certain Realtor? Could it be that the prospect has been made to *want* to do business with that Realtor?

We want to do business with those we trust most. Since real estate prospects have no opportunity to sample a Realtor's wares, they must base their opinions on what they hear. They seek advice. The local grapevine of talk helps make them want to do business with one Realtor or another.

A new concept in public relations has been developed to help one qualified, recommended Realtor in each community stimulate favorable talk in his behalf. Called OWNERSHIP, this program offers a method by which one leading Realtor can keep in personal touch with the people who are the bellwethers of his community. OWNERSHIP tells the up-to-date real estate story and connotes that Realtor's integrity, ability to serve, and high standards of practice.

Among Enthusiastic Users of OWNERSHIP is Harvey R. Barnard

Harvey R. Barnard of Green Bay, Wisconsin, says: "To see the earth in a grain of sand and the ocean in a drop of water. And so it is with OWNERSHIP Magazine. It is small in size but contains big things — things of importance to the home owner, to those who are interested in land and buildings, and to those who are interested in their fellow man.

"Your saying on the front cover of each issue ("Under All Is the Land") is a great inspiration to Realtors. It conveys a real picture of the importance of land, its surface to hold man's creation of great buildings, and to produce all man's needs of food, clothing, and shelter; and under whose surface is derived the incredible wealth of metals, minerals, oil, gas, and chemicals. We are indeed proud to have OWNERSHIP helping to tell our real estate story."

Typical of the outstanding Realtors who have been awarded OWNERSHIP are: Pointer, Coon & Wood, Saginaw, Mich; Taylor & Company, Pine Bluff, Arkansas; Clapp-Thomssen Company, St. Paul, Minnesota; H. I. Morse, Phoenix, Arizona; Leach Realty Company, Pueblo, Colorado; Styer Realty, Los Gatos, California; Albert Balch, Seattle, Washington. (Part of a series)



Realtor Harvey R. Barnard has spent his entire business life of 50 years in Green Bay. Two of those years were in a bank, the remainder in real estate. During the past 48 years, he has bought the company with which he started, platted more than 100 residential subdivisions, 77 of them outside of Green Bay. The Barnard Corporation has built and owns three office buildings, created Sunlight Park, one of Green Bay's finest residential areas, and has done much to foster the commercial and industrial growth of his city. Mr. Barnard is also president of Barnard Investment Corporation, which owns real estate and common stock from coast to coast. One of his five children, Michael J. Barnard, is vice president of both corporations. In addition to his many other civic and business activities, Harvey Barnard's hobbies are helping orphaned and crippled children, writing verses and stories, and entertaining 15 grandchildren.

Ownership
"UNDER ALL IS THE LAND"

NATIONAL REAL ESTATE AND BUILDING JOURNAL
CEDAR RAPIDS, IOWA



The 980 sq. ft. "Volunteer": 3 bedrooms and family room; low price range.



The "Cumberland", an outstanding home value in the medium price range.

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You can zip past your horse-and-buggy style competitors! American Houses dealers are riding the crest of a brand-new wave—and you can ride with them!

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Each of the 39 American Houses designs gives you all these features:

- *Exterior Flexibility*, letting you give the customer any outside treatment he desires.
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By BERT V. TORNBORGH
C.P.A.

Under the declining balance methods, which have an unrecovered balance at the end of the 10-year-life; no allowance is made for residual value, as in straight line depreciation.

• **Accrual of Real Estate Taxes:** The 1954 tax law clarifies a point that has long needed clarifying, namely: *When* are real estate taxes deductible, and by *whom*?

On the accrual basis of accounting such taxes may now, if the taxpayer so elects, be accrued ratably over the period to which they apply, regardless of when lien attaches, when tax becomes due or when taxpayer becomes personally liable. If the accrual taxpayer does not make the election, the old rule will prevail, i.e. real estate taxes accrue *on a date* rather than over a period. The House and Senate reports imply that the "period" in question is the period to which the tax relates under local law, sometimes being the real property tax year, sometimes the "period" for which the tax is levied."

In case of sale of real property the old rule used to be that *either* the buyer *or* the seller got the entire tax deduction. No more. The taxes now have to be apportioned. Wait a minute, you'll say, *Taxes have always been apportioned at time of closing*. True, but that was solely for the purpose of determining how much was due from whom in settling up the sales transaction, same as insurance and interest and water bills were apportioned. Income tax-wise such apportionments did not count on real estate taxes, the sole question being who was legally liable for the tax at time of closing.

A cash basis taxpayer paying a real property tax in the same year a sale is made can now deduct *only his allocated share*. It is immaterial how much of the tax he may have actually paid; the excess over his allocated share is not deductible by him.

• **Installment Interest:** The rule used to be that interest charges on installment purchases were not deductible unless separately stated in the contract. New law has relaxed a bit on that point. So long as a carrying charge is separately

(Please turn to page 37)

At Last . . .

A simplified and revolutionary **Residential Cost Estimating System** has been engineered, tested and perfected for Accurate and Rapid Residential Appraisals.

Developed and patented by a firm of valuation engineers with more than 30 years experience in county and municipal revaluations for tax purposes.

What Others Say . . .

REALTORS and APPRAISERS

"I like your residential cost estimation system and the building cost slide rule. They really work and think. I am particularly intrigued by the underlying grading and sorting of variables that no one has time to handle properly or to keep under disciplined control when he estimates residential house costs with tablet and paper."

"Don't let anyone tell you the slide rule merely makes your calculations. It does much more. It forces you to take account of factors that vary on curves instead of straight lines — the principal one being, of course, the square foot cost unit itself as floor area changes."

"I intend to use the system hereafter as one of my principal and most effective valuation tools."

Frederick M. Bobcock
Real Estate Consultant and Valuator

"I have had the opportunity to thoroughly test, in the field, your Residential Building Cost Slide Rule, together with the manual entitled 'Simplified Residential Cost Estimating'."

"The two appraiser's tools represent the most significant improvement in speeding up residential cost estimating in the thirty-five years I have been engaged in valuation work."

"No real estate appraiser — or broker, for that matter — who deals with the square-foot method of estimating, can afford to be without them."

Arthur A. May
Realtor-Valuation Consultant

BUILDING CONTRACTOR

"I have found from experience that the Slide Rule renders two services, to wit: (1) it furnishes a quick appraisal from building plans and (2) it gives me a check on an estimate when rendering a firm bid."

Jack H. Monroe
Atlanta Builder & Designer

VALUATION ENGINEER

"The Joint City-County Board of Tax Assessors of Atlanta, Georgia, and Fulton County have, as you know, adopted your 'Simplified Residential Cost Estimating' system, including the slide rule, for use in appraising residential buildings for tax purposes."

"Having many times tested the system against actual cost of construction, we find it to be very accurate and, at the same time, simple enough to be used by the laymen."

"Compared with other older methods of estimating residential building cost, we find that this system saves us greatly in both time and manpower; this being very essential in the operation of a tax assessor's office."

A. Clyde Cawthon, Valuation Engineer
Atlanta, Georgia, Fulton County
Joint City-County Board of Tax Assessors

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Write for descriptive brochure.





"Research House"—Designed by Edward H. Fickett, A.I.A., around Carrier air conditioning, it was the prototype for the McDonald Bros. homes of Weathermaker Village.

"RESEARCH HOUSE" INSPIRATION FOR \$17,000 HOMES IN SOUTHERN CALIFORNIA

Are homes without year-round air conditioning obsolete? Yes, judging from the popular response to Weathermaker Village homes in West Covina, California. McDonald Bros. are the builders.

Instead of drawing up house plans and then adding air conditioning, McDonald Bros. had the foresight and good business sense to follow the design of "Research House" and build their homes around air conditioning. This is the Carrier Weathermaker Home idea.

In the Weathermaker Village home, cross ventilation is no longer needed. Furthermore, each home is weather-oriented. Sweeping overhangs, latticework and planted patios protect the glass walls from the California sun.

Weathermaker Village homes are more spacious. Open planning and the use of large glass areas extend the apparent size of the house, create within it a feeling of free-flowing space.

These are just a few of the refreshing innovations. When it was introduced in 1951, the Carrier Weathermaker Home concept launched a new era in all-year home comfort. To the architect, builder and realtor it means greater freedom for imaginative, functional designs. Designs for easy, gracious, modern living. Designs for homes of irresistible sales appeal.

If you'd like to hear more about the Carrier Weathermaker concept for building homes that sell, it's time to call Carrier. Carrier Corporation, Syracuse, New York.

FIRST NAME IN AIR CONDITIONING

Carrier

Opportunity for Leadership

IT MAKES nice talk, but no one does anything. The people aren't interested," an Ohio real estate executive was telling us last week. He was debunking the idea that anything would result from the programs of slum rehabilitation, neighborhood and home improvement. Behind this facade of indifference, we suspect this man actually felt, "What's in it for me?"

We're the first to admit that there has been a lot of talk about redeveloping and rehabilitating substandard houses and neighborhoods. But there hasn't been nearly enough. And this real estate man only has to look a few miles from his own doorstep to see that something is being done and that people *are* interested.

In Cleveland, a citizen's group has banded together to give the public a visual exclamation point to the idea of home improvement. Representatives of various groups, including leaders of the local real estate and building industry, have dramatically produced "Operation Demonstrate." Two slum dwellings have been moved to Cleveland's Mall and completely reconditioned. Forcefully supported by the press, the project has drawn enthusiastic public reception. The result? Since the opening of "Operation Demonstrate" last fall, home improvement building permits in Cleveland have increased substantially.

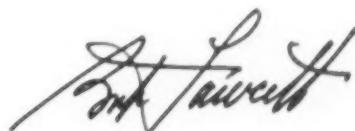
This demonstration doesn't end there. The local real estate and home building groups are buying substandard houses in other sections of Cleveland to make into Exhibit A's.

Nationwide, every person, particularly those in the housing industry, has a vital stake in this kind of action. Certainly, our ten million housing starts since 1945 have helped us keep pace with an explosively expanding population. But right before our eyes, if we open them to see, our housing inventory is decaying. Of every ten houses, one is a slum, four need substantial repairs and the other five require at least routine maintenance.

We have a fixed investment of \$250 billion in housing to protect. Yet it's being neglected shamefully. Hundreds of millions of dollars are being spent for luxuries while we overlook the decay of existing housing. Our sense of values is getting mixed up, much as the fellow who told us, "Look at that simple devil going down the street with a sack of flour. I'll bet he hasn't a pint of whiskey to his name!"

All of us stand to gain from an upgrading of our housing inventory. Our community becomes a more attractive, desirable place in which to live. The home owner protects and enhances his investment. We in housing improve the marketability of the product we sell.

Here is an ideal opportunity for the individual Realtor and builder and the housing industry to demonstrate leadership. By vigorously and actively supporting Build America Better, American Council to Improve Our Neighborhoods, Operation Home Improvement, we can focus burning-glass attention on the importance of the home in the social and economic life of our country.





Chicago's downtown and near-south sections housed 30,000 delegates to the 12th annual NAHB show last month. Meetings and exhibits were spread among the Conrad Hilton and Sherman hotels and the Coliseum. This view looks north across the Loop.

One hundred meetings and 450 exhibits faced a record throng of 30,000 delegates to the home builders' convention in Chicago last month. Builders were set awhirl with the countless and lavishly colorful displays of unusually advanced equipment and products for new houses. At their meetings they learned there would be ample mortgage money in 1956 but that they'd better learn how to merchandise to an increasingly competitive market.

TWO things stand out on the home building scene right now:

1) Many builders are discovering they don't know how to sell in a market infinitely more competitive than any since war's end.

2) 1956 homebuilding promises to be as topsy-turvy as 1955, yet home builders as a whole will come out on top.

Those are the JOURNAL's observations of the meeting of 30,000 delegates to the 12th annual convention and exposition of the National Association of Home Builders held in Chicago last month. Our conclusions seem contradictory until you realize that the first is

the problem of individual builders and that the second is an industry situation. This is to say that in spite of increased competition and buyers' greater demands upon the builder, mortgage credit will be adjusted to uphold the home building rate.

Factor #1 is substantiated by the fact that the best attended meetings were those on merchandising and selling. It was evident at these meetings, builders were worried about whether they're going to be able to sell their houses this year. They realized selling was getting harder and harder during 1955. Many realized they had perhaps become spoiled dur-

Builders

By ROGER C. LAKEY
Managing Editor

ing the ten easy years since the war and that they were not prepared to face a market more competitive than most had ever seen.

Factor #2 is substantiated by the announcement of the FNMA re-purchase plan during the convention and the lengthening of FHA-VA maximum mortgage terms to 30 years the previous week. These actions presage another year of mortgage market management by government to make sure homebuilding main-

1956 NAHB OFFICERS

President — Joseph B. Hayestick, Dayton, Ohio

First Vice President — George S. Goodyear, Charlotte, North Carolina

Second Vice President — Nels Severin, San Diego, California

Treasurer — Carl Mitnick, Merchantville, New Jersey

Secretary — Martin L. Bartling, Jr., Knoxville, Tennessee

tains the correct pace.

More than 100 meetings and 450 exhibits were scattered among the Conrad Hilton and Sherman hotels and the Coliseum. Builders and their wives were entranced by the lavish display of color in all types of home products, equipment and features. For example, there was an increased number of

Prepare for Harder Selling

intercom sets permitting communication between any and all parts of the house, many equipped for high fidelity. For the second consecutive year, free-standing ranges and refrigerators were scarce. Manufacturers dramatically displayed the latest in built-in waist-high ovens, countertop and fold-down burners, wall refrigerators and "kitchens of tomorrow." Outside the Hilton hotel were completely furnished prefabricated houses and a factory-made church costing \$29,000 and seating 180 persons.

There were prefabricated plumbing walls, effective substitutes for ceramic tile, new types of wall and floor coverings in brand new designs and colors, push button operated windows, plaster spraying machines, built-in vacuum systems for homes, new lower priced year-round air conditioners, self insulating heat ducts, plastic paneling to simulate brick, pre hung doors, mailing machines, and color, color everywhere.

Few speakers at the five-day meeting were engaged solely for "name" pulling power. Even General James Van Fleet, who gave the second major address at the opening session, talked shop. He told delegates about the "Homes for Korea" program which he is directing and urged them to support it. Nearly all the speakers had something of immediate use for builders. They represented practically all segments of the housing industry, allied fields and government.

J. Stanley Baughman, president of the Federal National Mortgage Association (Fanny May), announced a mortgage warehousing system to help ease mortgage credit. It will allow holders of acceptable mortgages to raise immediate cash by selling them to FNMA with a nine month option to repurchase the same mortgages at the same price. A fee of 1% of the unpaid balance will be charged. The lender is under no obligation

to re-buy the mortgages at the end of nine months.

Here's what the experts said about the mortgage picture at the NAHB convention:

"I'm quite optimistic for 1956. There will be more funds available through life insurance companies than before. Last year was the greatest year life insurance companies ever had." — Robert B. Patrick, financial vice president, Bankers Life Insurance Company, Des Moines.

"There will be ample mortgage money. But builders should recognize that the money managers' influence in Washington will grow greater in the years to come re-

gardless of political affiliation. Their actions will be reflected immediately in the availability of mortgage funds." — Roy W. Larsen, president, Twin City Federal Savings and Loan Association, Minneapolis.

"Mortgage funds will be sufficient this year, but at slowly rising prices. There will be increased competition from other forms of investment." — King Upton, vice president, First National Bank of Boston, and William A. Clark, president, William A. Clark Mortgage Company, Philadelphia.

Other spokesmen echoed the optimism over the mortgage market, but it was not unfounded. They

NAHB's 1956 Policies

- **FHA, VA, local governments and lenders should curb the fast-spreading tendency to pile unnecessary costs upon homebuyers.**
- **To stabilize mortgage credit, FNMA must be developed into a central mortgage reserve facility, operating privately within its income, supervised by government.**
- **Sections 220 and 221 of the Housing Act should be streamlined to facilitate urban renewal.**
- **We urge the appointment of a presidential advisory group of city officials, planners, consumers, architects, lenders and builders to recommend practical measures for solving community facilities problems.**
- **Mortgage credit shortages and deep-seated social attitudes make it difficult to provide minority housing, however the Voluntary Home Mortgage Credit Program is aiding our efforts.**
- **To provide housing for the aged, FHA policies should be revised to recognize the borrower's property and current income as security.**
- **More public housing cannot be justified in today's economy. Instead, federal help should be devoted to improving low income families' earning power.**
- **Excessive military housing can ruin the market in localities near military installations. The Act should be amended for greater control.**

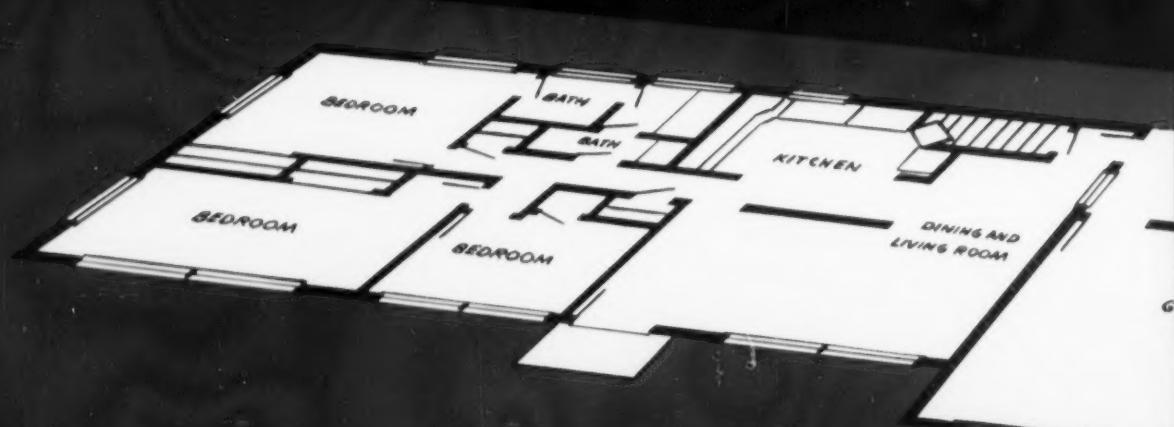
nine houses...

—just a glimpse of the
45,000 design possibilities with a

BEST *freestyle* **HOME!**

Right now builders are taking *immediate action* to introduce Best "Freestyle" Homes at the start of the 1956 building season. These men back up Best with reports that the "Freestyle" development is a "hit"!

The Best dealer has only one, two or a maximum of three basic plans to work with—depending on his choice. Yet each plan gives him 45,000 opportunities to sell a customer, for that's how many separate home designs are possible.



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Moreover, the customer creates the design himself, using the new Best-designed sales tool, the "Silent Architect". He *sells himself* on his own "individualized" home. This is a freedom of design formerly available only with high-cost custom building, with the customer retaining his own architectural firm.

1956 building plans are underway—*now* is the time for you to offer Best "Freestyle" Homes in your area. Wire or phone us—or airmail the coupon. Get the facts you need about a profitable Best dealership.



no garage, gable roof,
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carport, gable roof,
sliding aluminum windows



carport, butterfly roof, "high"
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One plan!



BEST "takes you by the hand" and helps you with:

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The sensational Best "Silent Architect" lets your customer design his own home—even showing him what the completed house will look like. The "Silent Architect" can be adapted to the entire "Freestyle" line or the limited selection you may decide to offer.

Clip and mail this coupon today!

W. G. Best Homes Co.
Effingham, Illinois

I want facts on Best "Freestyle" Homes for 1956—plus information on the sensationaly-unique "Silent Architect". Please rush, at no cost or obligation.

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carport, flying gable roof,
double hung windows



1 or 2 car garage, flat roof,
sliding aluminum windows



1 or 2 car garage, hip roof, "high"
sliding aluminum windows



1 or 2 car garage, flying gable
roof, double hung windows

WE ARE BUILT WITH **BEST** TODAY!



Builders wanted to learn more about public relations. On the public relations panel was Bob Fawcett, JOURNAL editor (second from right in photograph), who gave builders specific ideas on "Making People Want to Do Business With You."

had facts to back it up.

"The amount of funds moving into mortgage credit will depend on 1) the volume of total savings and 2) the scale of the demands made on the available supply of funds by other prospective borrowers," said George W. Mitchell, vice president, Federal Reserve Bank of Chicago. "Both these factors will be intimately affected by the course of business activity and the nature of the monetary action that accompanies it."

"In 1956 the flow of savings is expected to expand, reflecting good business and rising personal incomes. Also repayments on mortgages and other debt instruments will rise further, mirroring the large boost in such indebtedness during the past year."

Mitchell said if the economy this year shows signs of taking a breather some of the marginal borrowers will be dropping out of competition temporarily. The JOURNAL interprets this as meaning there will be less competition for mortgage funds if the economy expands less rapidly than last year. Mitchell said if the economy continues at the same rapid pace, competition for investment funds will continue to stiffen, directly affecting the mortgage market.

Representative Jesse P. Wolcott (R Michigan) told delegates there would be "ample, sufficient, and perhaps too much credit to do the job you are required to do this coming year."

Wolcott, ranking minority member of the House Banking and Currency Committee, told delegates Congress would not be asked to provide authority for standby credit controls short of war emergencies, and that the House would never accept a 1956 housing bill that did not include the 1954 restrictions on public housing.

The most enthusiastic believer in high 1956 housing production

is Albert Cole, HHFA administrator. After reviewing economic indicators, Cole revised his estimate, saying that 1956 will see 1.3 million starts. Previously his estimates were in line with most others — 1.2 to 1.25 million. He calls attention to the fact that 9% more houses were built in 1955 than in 1954. Generally the industry has forgotten this, remembering only that the seasonally adjusted annual rate has been declining. Also 1955 set an *all-time* record of private starts — 1.311 million—not excepting 1950 when there was a substantially larger volume of both public housing and privately owned rental-type housing than in 1955.

"In spite of the recent relaxation (extension of FHA-VA mortgage terms to 30 years) I urge you builders today to keep your eye on economic trends and governmental fiscal policies," NAHB Executive Director John Dicker- man said. "Learn to analyze them, and you may be able to anticipate fiscal policy."

On housing legislation Dicker- man expects an "extremely active" year. He said there will unquestionably be a major drive for more public housing, also a move from the same sources to enact a so-called "middle income housing bill" containing billions in direct federal loans. Both are vigorously opposed by NAHB.

Many times the FHA has been openly accused of delaying home building progress by refusing to allow new materials, methods and design features in the houses whose mortgages it guarantees. Norman Mason, FHA commissioner, answered those charges:

"FHA should not stand in the way of progress. But it cannot permit experimentation at the expense and risk of the home owner. Somehow someone must first establish standards for these new

products to meet. To allow untried techniques in housing would be playing fast and loose with our responsibilities to the public. A loosely run program can endanger your future as builders and could bring your industry into disrepute."

Increased stress was put on urban renewal and community facilities problems and the key role builders and real estate men must play in solving them.

"My plea is for you not to wait too long," Mason told delegates. "You yourselves have said you would demonstrate that you can build for a need when one existed. There is a job to be done — and there are profits to be made in urban renewal."

Cleveland home builders, in their "Operation Demonstrate" project, dramatically showed the public what home builders could do in urban renewal. Marvin Helf, Cleveland Realtor and builder, and president of the Home Builders Association of Greater Cleveland, told delegates his group purchased two rundown houses from a declining area which the city wanted to have designated as an urban renewal area. Members moved the houses to the city mall, remodeled them and put them on display. Also, the group and individual builders and organizations purchased and sponsored 12 additional rundown houses in various other Cleveland areas, rehabilitated them and opened them for inspection. One of these was purchased by the Cleveland Real Estate Board and another by the Lumber Institute.

The project received a tremendous amount of national and local publicity, both from television networks and national magazines. "The next time we have a public housing fight or enter into battles over ridiculous zoning codes, we can hold our heads high," said Helf. Groundwork has been laid for similar "Operation Demonstrate" projects in other parts of the country.

"Urban redevelopment is not exclusively a housing program or even slum clearance," said Mayor David L. Lawrence, Pittsburgh. "It is a land program, just as soil conservation is a land program."

Lawrence warned builders, "If we continue to build haphazardly, merely to meet present demands of the housing market without regard for the community tomorrow, we will create suburban slums more destructive to values

and to our way of life than any of the urban ills we must reckon with today."

At the heart of the community facilities and urban renewal problems lies the tax situation. The answer to insufficient tax money could lie in a well-planned, carefully developed industrial district. James M. Albert of Miami told builders.

"The community with little or no industrial taxes soon finds itself in trouble because residential taxes are never enough for all the schools, protection forces, sewerage, and other community services," the NAHB executive committee member said.

Suggesting that builders get the cooperation of the community in

zoning attractive and practical sites for industrial development was Douglas P. Wells, vice president of Chicago's Clearing Industrial District.

"Available trackage for every building, and a flexible land and plant arrangement will prove invaluable assets as your section develops," he said. "A checkerboard system of land options is desirable, providing every plant with option on the adjoining plot, and placing the two option plots between each two builders for possible use for a third plant if neither expands. Almost invariably the industries *will* expand. So build your plants for expansion and plan your land for expansion if you want a successful industrial development."

Delegates were told of some of the legislation the administration would request in its current housing bill. For example, Congress will be asked to authorize an increase in Title I home improvement loans from \$2,500 to \$3,500 and extend the repayment period from three years to five.

Secretary of Labor James P. Mitchell told builders of the urgent need for apprentices in the construction industry. "There are currently 80,000 apprentices a year in training, and at least 300,000 a year are needed to replace the skilled workers lost to the industry." He urged every local association to take part in training craftsmen for homebuilding trades.

IF YOU don't get into trade-in, you're going to fall behind the competition."

These strong words of Baltimore Realtor Mal Sherman found wide acceptance among home builders, who also learned about some other major elements of present-day trading:

1) More and more buyers of new homes are already home owners. John R. Worthman, Jr., real estate builder of Fort Wayne, Indiana, says that 80% of his prospects for new homes have existing homes they must sell in order to buy a new one. The demand for new homes today is a demand for better homes — buyers want more space, better quality, better planning and location, more up-to-date features. They aren't simply searching for a roof over their heads.

2) Because of this up-grading of the market, being able to trade is essential. Advertising your readiness to trade, panel members agreed, is a big sales stimulus. Many prospects will come to you because of your willingness to trade, but seldom do you actually have to trade to make your sale.

3) "You either have to know the real estate business, you have to learn it, or you've got to get a good Realtor to sell your homes." Leland G. Lee, Jr., of Dallas, Texas, who has increased his new home construction from about 15 a year to over 100 a year by his trading activities, was vigorous in stating this principle. (In fact, all

Do You Advertise Your Ability to Trade?

Being *able* to trade is getting to be a key to successful merchandising. Traders report more prospects and more sales by advertising trades, as the whole trade-in idea becomes more practical. Here are some ideas from a convention session that have proved their value.

Standing room only! Builders' interest in learning how to trade houses was high. Realtor Mal Sherman, Baltimore, told builders that to trade successfully they had better team up with a good real estate organization.





Builders are becoming increasingly aware of the benefits of teaming up with a good real estate sales organization. Frank Hart, sales manager of Walker & Lee, Inc., Los Angeles (See December, 1954 JOURNAL), told builders to assume that sales are going to be tough, then get a merchandising plan. W & L sold 6,133 houses for contractors in 1955.



More and more builders entered the competition for design and land planning awards this year. One member of group, shown examining an entry, is Max Wehrly (right), executive director of the Urban Land Institute which conducted the neighborhood development contest.



NAHB's new president and its former executive vice president exchange pleasantries at one of the banquet meetings. Left to right are Joseph and Mrs. Haverstick, Mrs. Cortright and Frank Cortright.

but one of the six panel members have their own real estate companies.) The need for intimate knowledge of the real estate business is shown by the fourth point raised at the meeting.

4) Successful trading depends on sound financing, and sound financing can't be obtained without a realistic valuation of the property. Besides this, of course, is the obvious fact that your ability to trade successfully depends on your ability to analyze the market.

Lee, who builds primarily in the \$14,000 to \$15,000 range of FHA- and VA-type housing, believes that the house you take in on trade should never be worth more than two-thirds the value of the new home you're trying to sell.

Lee's belief in this rule is based on the generally accepted principle that you must keep your own actual investment in trade-ins to the bare minimum. Your building operation will be curtailed if your operating capital gets

In trading, as in other phases of home building, knowledge of the market grows more important every day. Here's what one highly successful trader has to say:

"You either have to know the real estate business, you have to learn it, or you've got to get a good Realtor to sell your homes." — Leland G. Lee, Jr.

tied up in homes you've taken in trade.

If you must take a house in trade, this is the common practice: You agree with the prospect to buy his home at a fixed price if it is not sold within a certain period of time (say, 90 days). This fixed price should be about 10% below current market value. The 10% allows you 5% to sell the house, an average of 3% for financing costs, 1% for minor repairs, and 1% for the monthly payment on the loan.

Once you have made your offer to the prospect, stick to it. As Lee points out, your competitor, who may offer a better deal to the particular prospect, may have a special reason for doing so. Concentrate on what you are able to reasonably offer — if you take your eyes off that goal you will trip

over your own eagerness to make a deal.

Floyd Kimbrough of Jackson, Mississippi, said that in 14 years

"Those builders with their own real estate department are better able to operate at a profit because only the real estate department can know the value of the house to be taken in on trade." — Frank Flynn.

his company has made about 150 trades, and has never lost money on any of them. Other panel members can't point to the same success, but all were agreed that trading is a profitable business if properly handled.

Some builders, like Lee, expect only to break even on the house taken in trade, and to make their profit on the new house. Trading, these men contend, is no more than a way to increase their construction output.

Ernest Becker of Los Angeles said that it is frequently possible to acquire a house on which the monthly payments are small enough to make it advisable to keep it as a rental property. The panel agreed that each situation must be decided on its own merits. There are times when it is necessary to take a loss, and times when it is possible (for example, by renting) to avoid losing money on your investment, even when you have made a mistake in the transaction.

Irving Rose of Detroit, whose company has advertised its trade-in plan with great success, stresses the need for minimizing your equity in the property. Assume

"Realtors cannot produce for builders unless they offer a trade-in plan. . . . If you don't get into trade-ins, you're going to fall behind the competition." — Mal Sherman.

the mortgage on the property, but don't pay the customer more than he needs to make his down payment on the new house. Rose explains it this way:

If a customer has a \$5,000 mort-

gage but wants to put only \$3,000 down on his new house, don't pay him the other \$2,000 when you take over the mortgage. Pay the other \$2,000 once the house is sold. This way you keep your actual cash investment in the property at a minimum.

In the Detroit area, Rose said, 30% to 40% of the builders advertise that they will take trades. Many of the customers attracted by the offer to trade will sell their homes before the trade agreement period expires, eliminating the need for the builder's taking the old house in trade. Trading is basically a merchandising idea — it is a way to get more business, to bring more prospects in the door.

Sherman, giving the Realtor's point of view, reminded the audience that the small volume builder particularly must get a Realtor to handle trades for him. Realtors, on the other hand, cannot offer complete service to builders unless they are able to handle trades.

The Realtor, Sherman said, is the intermediary between the builder and the buyer. In Baltimore, 16 Realtors formed a trading corporation as a service to their builders. This corporation makes it possible for the builder to offer a trading service to his prospects without being forced to invest his own money in houses taken in trade.

Realtors, acting on detailed market knowledge, are best able to dispose of existing houses. Because they know market value, they can handle trades with less risk and far greater efficiency.

This trading organization, Sherman explained, charges a flat fee of \$200. The organization lists the property for sale and guarantees to buy the home if it isn't sold. The property is listed with 422 brokers under multiple listing, the selling broker getting two-thirds of the commission.

The corporation gets a pre-sale appraisal from either the VA or the FHA; the owner is told what this appraisal is, and is then persuaded to put his selling price in line with the market. The organization usually buys at 10% below this market price. Sherman pointed out that the seller must be educated to changes in the market which determines the selling price of the home — an educational job that Realtors can do well because they are fully informed of market trends and all the factors which

affect the appraisal. The money made by the corporation is put back into the organization to provide funds for buying the homes taken in trade.

"Do as little as you can in fixing up the house. If you do fix it up, work on the kitchen, the bath, and the outside." — Ernest Becker.

Frank Flynn of National Homes Corporation, Lafayette, Indiana warned builders against taking houses in trade that are located in declining areas, or that are becoming obsolete and more than usually difficult to sell. The houses you

take in trade, in other words, must be *marketable* properties.

Panel members urged that no more than the absolute minimum be spent on properties taken in trade. By investing a substantial amount in the house you not only reduce your working capital, you greatly increase your risk. In this area, as much as in any other phase of trading, is the Realtor's knowledge of the market essential to success.

One basic conclusion is clear. Trading is becoming a much more hardheaded and realistic aspect of home building than before. It is becoming more clear cut, and, as a result, more profitable. Operating on a practical basis, trading is going to become an important factor in home merchandising.

Basics for Your Shopping Center Planning

Your center, to be a success, has to offer good location, have good tenants, be built in proportion to each tenant's sales volume, and have good financing. The mistakes you could have "got away with" in the past will ruin your center in the present market. These are the conclusions of a panel of experts at the NAHB convention.

By BOB PAYTON
Associate Editor

WHAT are the major reasons behind the failure of shopping centers? This was a key question a panel of experts attempted to answer at the NAHB convention. Lawrence Smith, professional shopping center consultant from Seattle, Washington, listed these points:

1) *Poor location.* It is not only possible to have a center that is too large and too costly for the market it serves, it is possible to have a location which lacks sufficient space to serve its market. The only way you will get a realistic evaluation of your location is through an objective market analysis.

2) *Poor tenants.* A good tenant has enough experience to judge the potential of your location. If the good tenants won't come in, don't settle for weaker tenants.

3) *Over building.* This means that the center provides too much space for the volume controlled by each tenant. If you provide a tenant with



Outgoing president Earl Smith and Mrs. Smith (center) were jubilant after a successful year. R. G. "Dick" Hughes (at left with Mrs. Hughes) was the 1954 president.

more space than his volume demands, you have over-built your center.

4) *Poor financing.* Poorly negotiated financing, unfavorable to the developer, results primarily from poor location and poor tenants. If your center is basically sound in these respects, you will be able to get proper financing.

Many of the mistakes listed above have been committed by centers which have succeeded in spite of them. As Smith pointed out, this is due to the tremendous growth in retail sales over the past ten years, a growth that cannot be expected to continue indefinitely.

That you will pay heavily for mistakes made in planning your center leads to a point on which all panel members agreed: You must have a professional market analysis made and that analysis should be primarily for your own benefit.

"The market study should be conservative," Smith said. "It should be made to help you make a sound decision, not just for use as a sales tool." The analysis should take future conditions into account, allowing not only for population changes but for increased competition as well. Apply your own judgment to the analysis — it should be in terms you can understand, and it should coincide with your common sense.

"It is a tool to assist you in making your judgment," Smith said. "It should not be taken as a substitute for the judgment itself."

Walter Stackler of Hicksville, New York, raised another aspect of professional market analysis: "If you make your own market

survey, tenants aren't likely to accept it because you are a principal in the project."

Citing rules of thumb that will help the developer estimate approximate costs, Smith said that chain store organizations predicate their volume on the basis of a minimum volume to be attracted from a definite area. For example, in a neighborhood center of eight to ten stores, with a supermarket, business would be drawn from a radius of $1\frac{1}{2}$ miles.

The food market in this size center would range from 10,000 to 20,000 square feet, and should do a volume of \$100 per square foot, paying a rental of $1\frac{1}{2}\%$ on that volume. A supermarket of 20,000 square feet would have to do a volume of \$2 million.

Smith also mentioned that no one food market will do as much as 40% of the food business in its general area. Never counting on more than \$100 per person for food expenditures, a supermarket needs roughly 20,000 families to do a \$2 million volume.

Community centers are approximately 200,000 square feet in size, and do a volume of \$8-10 million drawing from a population of roughly 75,000 (20,000 to 25,000 families) within a radius of three or four miles. (These figures do not consider the inclusion of a department store in the center.)

Regional centers are described as having 500,000 square feet of space, and a market of 250,000 people within a radius of five or six miles. J. I. Hudson's Northland Center in Detroit, which has over one million square feet, draws 80% of its volume from an area within a radius of $7\frac{1}{2}$ miles.

(This is cited as a good rule to follow, according to panel members. Any center will attract customers from a considerable distance, but the great majority of the center's customers must come from the basic trading radius.)

How much does it cost to have a market analysis made? Smith gave these approximate figures: It will cost roughly \$1,000 to find out you don't have a usable site (and two out of three centers proposed don't have). For a neighborhood center, an analysis might cost anywhere between \$1,500 and \$3,000. A community center survey would cost from \$3,000 to \$5,000, and a survey for a regional center might cost anywhere from \$5,000 to \$15,000. Smith also said there are about ten offices in the country doing professional market surveys on more than a strictly local basis.

As J. W. York, of Raleigh, North Carolina, pointed out, however, the cost of the analysis in relation to the total investment is minor. As York put it, "Anyone planning to build a center who wouldn't employ expert help shouldn't be building a center at all." Stackler said that chain tenants will not listen to your proposition unless you have a sound market analysis to back up your claims. You have to *prove* your market.

Inevitably, the question of parking ratio entered the discussion. One aspect, not usually brought out when parking is considered, received emphasis from York: The ratio depends on the *type* of trade each tenant attracts. Tenants who do most of their business on a quick turnover basis (a laundry or dry cleaning pick-up station, for example), need less parking space than do tenants whose business depends on slower turnover (food markets, for example). In general, York said, a 3-1 ratio is accepted.

Charles E. Joern, of La Grange Park, Illinois, recommends that parking area be gauged according to the number of square feet of sales area, with a ratio of six to seven cars per 1,000 square feet of sales area.

On the difficult problem of employee parking, York emphasized that employee parking should never interfere with the closest parking provided for customers. Joern said his center has 500 employees, who are forbidden to park within one-half mile of the center except in designated areas. This

requirement is included in the lease. (The 500 employees, Joern said, require 163 car spaces.) Stackler advised developers to anticipate the employee parking problem, as Joern has, by including provisions for it in the lease.

To calculate your return on the value of your land (of a proved center), York cited this example: A supermarket of 15,000 square feet should be able to accommodate 250 to 300 cars. With 75,000 square feet for parking and 15,000 square feet for the store, you have a total of 90,000 square feet, and with a valuation of \$2 per square foot you have land worth a total of \$180,000. You should expect a return of 2% on your land, plus a 12% return on the cost of improvements on that land. If your costs for improvement run \$10 per square foot, you must figure the return on the basis of \$150,000 (for a store of 15,000 square feet), plus the value of the land, in order to know the minimum return required (from a chain grocery, in this case).

As Smith pointed out, in 80% to 90% of the new centers the tenants expect to pay the costs of parking maintenance but the landlord provides the staff to do the work.

Stackler charges 20¢ per square foot for main floor space and 10¢ per square foot for basement space for maintenance and other common costs which must not, he said, come out of overages. Stackler makes no provisions in the lease for adjustments, allowing part of the present charge to cover any future adjustments that may be necessary.

Smith said that maintenance costs will run approximately 10¢ to 12¢ per square foot, except where snow removal or policing are serious problems.

On the matter of central heating, York said it depends primarily on whether the center is being built at one time or in several stages. In smaller cities, he said, it is frequently not possible to build the entire center at one time. (York's center opened with four stores, having a total of 30,000 square feet; the center now has 50 stores.)

Joern, whose center has also expanded, said he was advised against central heating by engineers but did it anyway because he wanted air conditioning in every store. Engineers reported to Joern that the cost of doing the whole job at one time was about the same as

Even the "name" speakers talked shop. General James Van Fleet, one of the two main speakers at the keynote session, urged builders' support of the "Homes for Korea" program of which he is chairman.

Several displays at the convention reminded builders constantly that this is "home improvement" year and that they could find big opportunities in remodeling. Here Ross McKeever of the Urban Land Institute arms delegates with literature.



when tenants did it themselves (roughly \$3 per square foot).

In answer to a question about ceiling height, York said store space is the determining factor. Stackler has a department store tenant with 40,000 square feet on one floor, and this tenant has 15-foot ceilings. Smaller shops have ten-foot (or not more than 11-foot) ceilings. However one clothing chain, with a store of 45,000 square feet, insisted on 14-foot ceilings.

Stackler said that you should start with a maximum ceiling height, depending on the type of stores, and then put the requirement in the lease. You must judge both by the size of the center and the size of the individual stores within it.

As for guarantees from chain tenants, Smith pointed out that it isn't necessarily true that your project is bad if the chains will not pay a substantial guarantee. What is true, he said, is that chains *will* pay good minimums for good locations. He cited as averages, in the past, guarantees of 90¢ to \$1.10 per square foot, but said that several chains in the past few

months have signed leases on a long term of more than \$1.50 per square foot, and with adequate percentages as well.

Joern remarked that chains will compete for a good location, and if you can find two prospects who will compete for a location it will work in your favor. Stackler said your leases will determine the way the mortgagee considers your project, and a poor lease will work against you in that way as well.

York observed that chains are going to more stores of 10,000 to 12,000 square feet, in smaller towns. In these cases, he said, the chains are usually paying a flat rental.

The question of second-story shops brought the comment from York that his own second-story space is not used for retail purposes. "We have an elevator," he said, "and we wouldn't put in second-story shops without some kind of vertical transportation." Costs of vertical transportation are high — another factor acting against second-story shops. York estimated the cost of a one-way escalator at \$35,000 to \$40,000; an automatic elevator at \$8,000 to \$10,000.

IN THIS age of specialization homebuyers cheerfully engage services of every imaginable expert to help them in their purchases. Buyers employ attorneys, builders, insurance men, carpenters, bricklayers, plumbers, electricians, interior decorators, architects and many other trained persons, but they will usually try to avoid paying for the services offered by the real estate broker. This calls for a re-examination of the functions of the real estate broker.

The broker is a counselor in a highly complex field. His main job is to satisfy needs of prospects with respect to space and location. He advises on value, financing, improvements needed, planning, zoning, school and tax problems, future growth, trends in an area and a host of related socio-economic problems.

With all these skills it is not at all uncommon to find some buyers trying to deal directly with owners, thereby saving themselves the brokerage commission. This is usually beset with hazards for buyers. They should appreciate that a selling price includes all costs, one of which is cost of sale or brokerage.

A buyer is only kidding himself when he feels that by dealing directly with an owner he is in essence saving himself several hun-

Why aren't homebuyers as willing to pay for the specialized services of a competent real estate broker as they are for other specialists? Biggest reason: They don't know enough about his services. Here's more ammunition for selling the public on the idea a competent real estate broker is well worth his commission.

By **VINCENT J. HUBIN**

Department of Real Estate
New York University

dred dollars in commissions. Such impressions are as wrong as believing that a purchase of any commodity does not include sales costs. It must be appreciated that the selling price has to include all costs plus a profit, and furthermore, one of the important costs involved in every deal is selling expense.

Sales prices of food staples are loaded with hidden sales costs. The Department of Commerce estimates that over 50% of the sales price of every food item is re-

presented by selling, distribution, and commission charges. When this is compared with the commission charged by the broker, one can readily appreciate how relatively inexpensive the broker's valuable services are.

On the other hand, if the owner sells directly, he has to appreciate that sales costs are still involved. These costs take the form of time consumed, inconveniences, advertising, and the nuisance of curiosity seekers tramping through his property.

Why, then, is it that the broker's services are held in such low esteem, while the services of practically every other specialist are highly respected and avidly sought? Possibly the fault lies largely in the laps of brokers themselves. Brokers have failed to adequately educate the public with respect to their function, duties, and activities. Today the public feels the broker is an intermediate leach who does not perform an economic function, and, if at all possible, some method should be devised to remove him from negotiations.

This attitude has to be corrected before the rightful and respected place of the real estate broker can be established. Therefore, a review of the activities and functions of the broker has to be made in order to correct the public's wrong ideas.

The main function of the broker is service. Too many of us are still living in the easy, effortless selling days of the immediate post-war period. We have forgotten

A real estate man worthy of his profession does all these things:

- **Fits a property to a prospect**
- **Does the prospect's legwork**
- **Reduces a buyer's homesearching time**
- **Screens prospects for owners**
- **Acts as an impartial intermediary**
- **Knows how to negotiate with owners**
- **Arranges for mortgage financing**
- **Knows financial requirements for all listings**
- **Makes scientific property evaluations**
- **Advises builders on planning salable houses**
- **Advises when to bring land into use**
- **Knows the best use for specific properties**
- **Advises in a highly complex field**

Still Isn't Sold

how to sell. We have forgotten how to spark desire and offer service. Some of us have even forgotten the basic requisites of common courtesy. Today, the buyer wants to shop, compare, and evaluate. No longer can we pressure him into an immediate closing. The buyers' market has returned! An appreciation of this condition provides the groundwork for a further look at broker's functions. Service is the keynote, but other aspects of his job are equally important.

A broker can reduce the long periods of fruitless hunting on the part of buyers. His listings can be consulted, and properties best suited to the prospect's needs can be selected. Thus, exasperatingly long searches by prospects can be cut down through the broker's expert help.

How often we hear, "At last, this is it. I have been looking for so long!" They are enchanting words, but bear in mind, they are the result of countless hours of searching and effort on the part of the broker. In other words, he does all of the legwork for the prospect. This searching activity is in itself well worth the broker's commission. However, his job is really just beginning at this point. He has to arrange terms, financing, give advice, negotiate, and close the deal before he is paid!

Furthermore, long involved negotiations directly with the owner can be eliminated. The broker knows the owner, he knows what price will be accepted, he knows how much cash is required, and he knows what terms are desired. He is, therefore, in an excellent position to tell the prospect concisely and exactly what financial conditions prevail with respect to each of his listings. Imagine the large amounts of time saved through this function alone. Gone are the nerve-wracking and exhausting periods that develop in dealing directly with the seller.

Another important function of the broker is that of advising when to bring land into use and especially what use to place on the land. The broker's skill and experience

in this respect is undoubtedly one of the most crucial and important aspects of brokerage. Many an uneconomic and unwarranted improvement on land might not have developed if only the advice and counsel of a skilled broker had been utilized.

The broker's training in the field

"A buyer is only kidding himself when he believes he is saving a brokerage commission by dealing directly with an owner. Whether a property is sold by the owner or the broker, the price paid still includes sales cost."

of value places him in an especially important position in a real estate transaction. Valuation is undoubtedly the most complex area of the real estate business. Few persons not having an intimate

contact with value phenomena are able to express a proper value opinion. Many will hazard a guess as to the value of a property. However, their opinions are usually unfounded and unscientific.

The broker who is in daily contact with sales, rentals, construction costs, neighborhood facilities and characteristics is the most reliable source for value information. His advice on value problems should be requested and his expression of values should be respected. His valuation advice alone should more than adequately compensate a principal or prospect. However, many other diverse and specialized services are included in his comparatively small compensation. An owner or buyer of property will be more than adequately rewarded through a broker's value counsel before he buys or sells. This is evidenced by the

(Please turn to page 33)

Competent real estate salesmen bring owner and prospect together in an expeditious manner, which requires a great many services on the part of the salesman and his company. (See box on opposite page.)

Here, Mrs. Helen C. Brown of the Alexander Summer Company, closes a sale for a dwelling in Ridgefield Park, New Jersey. Owner (right) and wife (left) are with the buyers (second and third from left) at the closing. Mrs. Brown is fourth from left.



Are Your Sellers Forgotten Men?

By RANDY KNIGHT

J. C. Nichols Company
Kansas City, Missouri

If your salesmen ask themselves, "Which comes first, the listing or the sale," they'll discover why they should spend as much time with the seller as with the buyer. Doing a good job of selling the seller will usually pave the way to a quicker sale.

WHICH is most important, the sale or the listing? In the terrific buyers' market we have today, the seller too often is the forgotten man. In some cases, his home is listed at any price just to get a listing. When this occurs, the sales staff doesn't show the property, the listing salesman is afraid to talk to the owner, the seller ends up getting a lower price than necessary, and the seller is unhappy with broker, salesman and the real estate profession as a whole.

Spend as much time with the seller as with the buyer. You can never have the opportunity to earn a sales commission unless you have good listings.

Have you ever asked yourself, "Which comes first, the listing or the sale?" There is complete justification for giving as much time to one as to the other. In obtaining listings don't just call the seller on the phone and ask him for the listing. Make a *personal call* on the "usually forgotten man." Get acquainted with him, sit down with his family and talk it over. Build confidence in yourself and your company. Anytime you talk about a man's home — it becomes an important subject. This is the time to prove you are genuinely interested in helping him. Explain your company's sales policies, your advertising program and your sales meetings. Always use the word "we." Convince him that your sales staff works as a team. Don't

oversell yourself as an individual.

Make appraisals on a business-like basis. Carry a notebook and jot down important facts. Get detailed and thorough information on financing, taxes, legal description. Do it leisurely. Above all, don't rush through an appraisal. This is the time you build your best confidence. Be a good listener. Let the owner talk at this stage, but don't overlook obvious bad points for later discussion.

Show enthusiasm over the sales possibilities of the house. Don't make rash promises, but radiate a feeling of confidence that your firm can give the owner good sales service if the price is reasonable. After you have obtained a listing, contact the seller at least once a week. Do it in person. This lets him know you are really interested. Send him copies of all advertising. Send him "protection notices" on all prospects who have seen the home. Tell him "why" they didn't buy this home or why they were not interested. Everytime the home is shown to a prospect only you and the prospect know why they did not buy the house. The seller has the right to know also. Do him that courtesy. It could very well help you or one of your fellow salesmen make a deal later on.

Don't give the "seller" an opportunity to tell you why a certain member of your sales staff didn't do a good job of showing it. Beat the owner to the punch when a

prospect does not like the home. Don't stall or avoid contact when inactivity develops. This is the time to strengthen your contacts with the seller. Otherwise he will turn to another broker. Don't hesitate to admit an error in establishing the price. We all make mistakes. Perhaps it was priced too high. Now is the time to get a reduction in price.

Assume the sale is made, then follow up after the sale. Write the seller a "thank you for the business" letter. If another broker sold the property, write him a "sorry we didn't find a buyer, but thank you for the opportunity" letter.

If he is moving out of town, recommend a Realtor in his new city. If you obtain his new address, send him a letter every six months or so. After all, he may be moving back some day or may have friends who will be moving to your city. Every seller or buyer can develop into a "branch sales office" for you and your company.

In summary:

- 1) Every seller is a potential buyer — every buyer a potential seller. Put yourself in a position to handle the entire transaction.
- 2) A house priced right is half sold. The result: A satisfied buyer and a pleased seller.
- 3) Don't list a home where the seller insists on too high a price. Result — a lost friend. Above all, be honest with the seller and yourself.



Public Still Not Sold

(Continued from page 31)

distressing knowledge that one could have bought or sold a property at a better price.

A listing placed with a broker can save the owner a great deal of aggravation in that the broker will screen each prospect prior to bringing him to inspect a property. The broker will determine if the prospect can buy the property on the seller's terms and whether the property described suits the prospect's needs. This screening of the prospect in the broker's office helps to soften the distress and nuisance connected with an owner-attempt to sell a property by his own efforts.

Financial advice with respect to amount of mortgage, terms advanced and obligations involved can expertly be developed by the broker. He can also suggest avenues for speedy placement of the loan on the most favorable terms.

Again the broker acts as an impartial intermediary for the parties to a transaction. The weak or strong pressures exercised by one party over the other can result in disadvantages. However, with a broker interposed between the parties, the advantage or disadvantage of one or the other is negated. The broker acts as an impartial representative. He is a buffer between the parties, so to speak. He softens conflicts of personalities and helps to resolve differences and disputes, thereby speeding a successful sale.

In the light of this, the question might well now be asked, "Is the broker necessary?" The answer is a definite "Yes." Here is a highly specialized field, one which requires training, skill, ability, vision, knowledge, and the extreme in perseverance and service.

We as brokers realize and appreciate that these requirements exist. However, this appreciation has to be conveyed to the public, and it can only be done through education, advertising, and a constant campaign of information as to the service and assistance the broker can furnish.

People will not generally place a value on any goods or services which they know little about. To get the public to make such an evaluation, the public must get to know the work of the broker better. The job now rests with the broker; in his hands are the tools. All he needs is a moving force.

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Community Facilities —

Your Biggest Problem in the Next 10 Years

If your community is bursting at the seams, as most are, then providing all the facilities and services demanded by that growth is going to be the most serious problem facing your own local real estate and building industry, says our author. As a member of the group most directly affected, you should take the lead in educating your community to the problem and its solution.

By NATHANIEL H. ROGG

Economist

National Association of Home Builders
Washington, D. C.

COMMUNITY facilities is the greatest problem home building and real estate will face in the next ten years.

By community facilities I mean schools, sewers, water, roads, parks and hospitals, as well as getting sound zoning, planning and subdivision regulations. I mean all those services and functions which make a house a home.

This is no sudden crisis. It's been brewing for years in the form of higher land costs, scarcity of good sites and getting building permits in towns that didn't want you to build any new houses (because they claimed they didn't know where they were going to put the kids already there).

Land prices have increased in the past four years more than any other item in the price of a house, and probably more than all the rest put together. According to FHA figures, land cost has just about doubled since 1947. I think the FHA figure is very moderate, because we hear in many areas of land prices three and four times

what they were a few years ago, with no end in sight. Prices for land in one eastern state have risen to \$8,000 an acre — for raw, unimproved land.

This worries the daylights out of me. What it does to building costs is obvious. But what bothers me is what it will do to the volume of housing for lower and middle income families.

Builders in the East have said that with land costs where they are and zoning restrictions of excessive lot sizes they are unable to build houses at under \$14,000. When the home building industry as a whole reaches that point we will be avoiding not only what should be good business, but we will also be failing to provide good housing opportunities for Americans of all income classes.

Figures in the accompanying box will indicate how big the community facilities job is. *These figures are annual averages of what is required each year for the next ten.*

For all of these items, in the next

ten years, it is estimated that we should spend \$204 billion, or \$20.4 billion per year. If we spend at the 1954 rate we will be spending only \$86 billion in those ten years, or only 42.3% of the total required.

The \$25 billion required for sewers for a ten year period is not all for new construction — \$15 billion is the minimum price estimated as needed to replace obsolete and outdated systems.

Between now and 1965 is the best chance we have to catch up in these fields. After that time, when war babies have grown up, married, formed their families and begin to need new housing, we shall be faced with a requirement for the greatest expansion in our housing we have ever witnessed.

Unless we do something about this situation now, we shall be completely bogged down when that time comes and will fail miserably. The cost of failure brings the likelihood that the government itself may then be urged by some to stop and solve not only the community facilities problem, but the entire housing problem.

In part, this is a problem of maintenance or replacing facilities and utilities that have become tired, or outworn or inadequate. But by far the larger part of it is a problem of growth.

Builders haven't created this problem. It is not new houses that create community facilities problems, it is population growth — the spilling out of this population from the cities into the suburbs.

The home building industry cannot by itself solve the community facilities problem, nor can a few municipal officials.

One sure way *not* to solve it is to discourage building homes for the great mass of our middle income families. The discouragement of new homes is an ostrich-like suggestion that has caught the fancy of some short-sighted officials in some of our towns — hide your head and your problem will disappear.

	Annual Average to 1965	1954 Activity	1954 as % of need
Schools	\$4.1 billion	\$ 2.6 billion	63.9%
Hospitals	2.2 billion	653.0 million	29.7
Water and sewer	2.5 billion	1.2 billion	40.7
Other municipal facilities	2.3 billion	880.0 million	37.9
Roads (local and state only)	9.2 billion	3.5 billion	37.6

"Bedroom" Communities cannot support—

- Schools** →
- Streets** →
- Sewers** →
- Water** →
- Parks** →
- Hospitals** →

**—the answer lies in
a broader tax base.**



In a recent study by the University of Connecticut it was found that the major expense from the expansion of new homes was education — not enough revenue could be obtained from new housing to finance the education of the youngsters.

But it isn't *housing* that makes education necessary, it's *youngsters*. These youngsters would have to be educated anyway. If not in one community, then in another. In no place that I know of can new housing by itself pay enough taxes to provide educational facilities. In a Long Island community, with a two-acre lot restriction and all the homes in the \$40,000 and up range, they could not tax these homes enough to pay for the schools.

It is clear that the answer lies in a broader tax base — that the so-called "bedroom community" cannot pay for the cost of municipal services.

A Harvard study points to the allocation of state and federal funds on the basis of population and indicates the importance to the community of providing a place to live for the man who works in the community's industries — which industry may pay taxes in the community — and whose family provides the retail market for the commercial establishment which also pays taxes in the community. Now it is interesting to note that the store and the industry don't have children, although

they do pay taxes. If we were completely absurd, we would relate taxes only to the burden on the community and relieve these stores of any school taxes.

The traditional American way is to provide such community facilities as schools from the general tax funds. That's how our traditional public school developed.

On a nationwide basis there is certainly no one answer, but here is an approach that should be helpful:

- 1) Accept the fact that there is a problem.
- 2) Realize that it is a problem for the *entire* community, and that you can no more solve it by yourself than you created it.
- 3) Accept the fact that nobody really knows the answers and that

the answers will be difficult to come by — and cannot be obtained overnight.

4) Work with other groups in your community in solving the problem. This means *all* groups — teachers, municipal officials, planners, PTA, public health people, Chamber of Commerce and the downtown merchants.

It is a job for every one in the community. But if the community does not understand it that way, then you who are so directly affected by it have a job of education and cooperation in civic responsibility.

You can start by setting up a committee on these problems, by studying the problems and identifying those aspects on which you can actually do something.

Here's what you can do about it:

- Accept the fact a problem exists
- Realize that real estate men and builders can no more solve it by themselves than they created it
- Accept the fact the answers cannot be obtained overnight
- Work with all groups involved (teachers, planners, city officials, PTA, public health officials, Chamber of Commerce, downtown merchants) to identify those aspects of your own local situation which you can do something about.



PHOTOGRAPH AND DATA BY STAN WITWER, ST. PETERSBURG

New slide rule which helps assessors and appraisers estimate residential property costs is being examined by Jack C. Hamilton, a member of Hunnicutt & Associates, who originated the idea several years ago. At left is Fred Courtright, engineering department head. Right is John Grant, structural engineer for the company.

WITH a minimum of facts at your disposal, and with only a few simple adjustments of a special new slide rule, you can now quickly arrive at the per square foot cost of duplicating any existing residential building, based on the current building cost index. Once you've figured this reproduction cost, you next make adjustments for such judgment factors as depreciation and fluctuation of land values. The result is a highly accurate valuation from which any desired percentage may be used as the assessment figure.

This highly accurate and streamlined technique is made possible by a slide rule developed by Hunnicutt & Associates of St. Petersburg and Atlanta. The firm

A New Tool—

Cuts Appraisal Costs by 30%

You can reduce time and expense of residential cost estimating by 30% to 35% with a new slide rule and cost estimating system developed by the largest en masse appraisal firm in the Southeast. Appraisers hail it as being highly accurate and valuable.

spent 15 years in research and field testing to perfect this compact and simple tool. It's president, Warren P. Hunnicutt, an M. A. I., has received praise from highly regarded appraisers in the field.

For example, Arthur A. May, who heads the appraisal department of the General Services Administration of the federal government and author of *Residential Appraising*, says, "These two appraisers' tools (residential cost estimation system and the building cost slide rule) represent the most significant improvement in speeding up residential cost estimating in the 35 years I've been engaged in valuation work."

Although any major appraisal job requires at least the supervision of a skilled cost estimator, Hunnicutt believes the slide rule's use will enable men and women with only brief instruction to handle practically all of the residential appraising except luxury

homes (\$75,000 or more) in any community project. A manual, "Simplified Residential Cost Estimating," gives complete instruction on use of the tool.

Here's one of the recent big jobs the Hunnicutt firm completed with the slide rule. The job involved the appraisal of 250,000 parcels of real estate for Fulton County, Georgia, which includes the city of Atlanta. It involved value estimates of urban and rural land units, residential, commercial and industrial structures. It required two years to complete, during which the services of 130 men and women were used in addition to Hunnicutt and his staff engineers, consultants and cartographers. The slide rule was used on every residential structure and is now being used by engineering field crews of the Joint City of Atlanta Fulton County Board of tax assessors in keeping their assessment work up to date.

"You build 'em; we'll sell 'em"

YOU can benefit your client builders most by letting *them* concentrate on putting the houses up, while you concentrate on the initial planning from a merchandising standpoint. That's the advice Realtor Arthur R. Storm offers. Storm, a JOURNAL contributor, is executive vice president of Geo. H. Beckmann, Inc., with offices in Teaneck, Paramus, Ridgewood and Fairlawn, New Jersey and Newburgh, New York.

"A Realtor has a real service to

offer a builder," says Storm. "He prepares a builder's promotional material and sees to it that it is put to the best possible use. He recommends the best media for advertising. He arranges for proper direction to the builder's property and — most important — he covers the property with qualified sales representation during all reasonable hours seven days a week.

"The Realtor can most efficiently handle the financial statements,

contracts, and VA and FHA forms.

"The builder profits greatly from a Realtor's advice in the preliminary stages in planning a development as the Realtor has a constant ear to public opinion. The Realtor looks at all building problems from a merchandising viewpoint. The original selection of the builder's site, its available utilities, its closeness to schools, transportation, shopping, and recreational areas all are important to buyers."

Income Tax Deductions

(Continued from page 17)

stated it may be considered to contain 6% interest on the average unpaid balance during the tax year, and such interest is now deductible. For these purposes the average unpaid balance is the sum of the balances outstanding on the first day of each month, divided by 12. Maximum interest deduction in this connection, of course, may not exceed the amount of the payments made or the total carrying charge attributable to the year. You cannot claim 6% interest where the total carrying charges were 4½%, for example.

So much for the deductible interest *part* of a carrying charge. The entire carrying charge would be deductible if it came under the category of business or nonbusiness expense, as apart from a personal TV set purchase, for example. Finally, if the interest was separately stated in the contract, as it sometimes is, then that interest would be deductible, regardless of whether it is more or less than 6%.

Do these rules apply to old installment contracts? Yes, they apply to all *installment payments* during a tax year beginning after 1953 and ending after the effective date of the 1954 law, namely August 16, 1954. Age of the contract is immaterial.

• New Breaks for Farmers: Farm land improvements have generally had to be capitalized, and as farmers get no depreciation allowance on land they could only recover such costs at time of an eventual sale of the farm. Now farmers may elect to take deduction for costs of earth moving or treating land used for farming purposes, up to 25% of a tax year's gross farm income. This covers such expenses as —

- a) grading, leveling, terracing;
- b) planting of windbreaks;
- c) brush eradication;
- d) contour furrowing;
- e) construction of diversion channels, drainage ditches, earth dams, water courses, outlets, ponds.

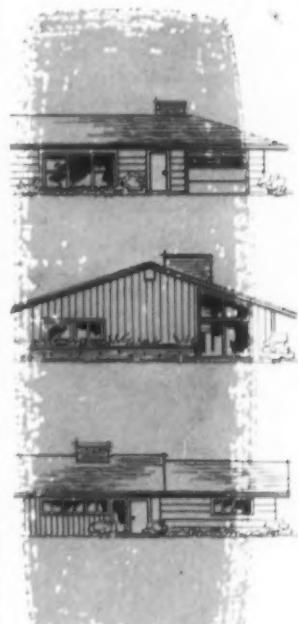
Thus, the new deduction does not apply to any outlays for items on which the farmer would normally claim depreciation.

Any amount not deductible under the 25% limitation in one tax year may be carried over and deducted in following years.

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Compared to a 50% increase in total housing starts between 1948 and 1955, prefabricated home building increased well over 200%. Records show that builders who formerly put up 8 to 10 homes a year are now erecting prefabricated homes by the score.

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The Law Says!

- Where does oral condition precedent apply?
- Why put memoranda on back of checks?
- Can words have special meanings in oral contracts?

By GEORGE F. ANDERSON

ALAYMAN cannot be expected to appreciate the subtleties of the law. So much often depends upon the exact language that is used, and the niceties of language play a most important role.

A buyer hesitated to sign the contract without consulting his wife. The seller said, "You sign it with the understanding that it shall not become binding unless she approves it." The buyer could show this oral condition precedent to defeat the contract.

If the seller had said, "You sign it and if your wife doesn't approve, I'll tear it up," the buyer would not be permitted to show this to defeat the contract. This was an oral "condition subsequent" which can never be shown.

Parties don't use the exact phraseology that I have used, and it is usually difficult to say if they have created an oral condition precedent, or if subsequent wishful thinking often influences them to vary the words spoken when they learn of the distinction.

IN closing a deal it is sometimes desirable to put on a check what it is meant for. This may be valuable as evidence in case of a controversy as to whether or not the item is paid. Such a memorandum should be put on the back of the check and not on its face. If it is put on the face there is the possibility of a contention that the payee did not see it, but there is the greater possibility of the contention that it was put on the check after it was returned by the bank. If it is put on the back, and the payee's endorsement appears under it both of these possible contentions are practically eliminated.

THE parties were dickering about the sale of a residence. They got to a point where the broker drafted a contract and they

all met in his office for a final bout. The seller and the broker were urging the buyer to sign as he sat there with the pen in his hand. Finally the buyer said, "I'll tell you what I'll do. I'll sign if you throw in your television set. You said you intend to buy a new one anyway." The seller looked at his wife, she nodded, and the seller said, "Well all right."

When it was time to close the deal the seller reneged on the television set, saying it was not in the contract.

When a promise like the one in question is of a kind that parties do not generally include in their main contract it is generally enforceable. I think that can be said about the promise in question, and therefore it is enforceable.

AN owner gave a broker a non-exclusive at \$20,000 "net." The broker said, "That means that I keep all that I get over \$20,000?" The owner said, "That's the way I understand it."

The broker sold the property for \$25,000, but the owner would only pay him \$1,250 commission, claiming that's what "net" means, and that is what "net" does mean. It doesn't mean all over the specified price. *It means that the owner is not to get less than the specified price.*

But in an oral contract, or in a contract that does not purport to be a complete contract, the parties can give words any meaning they like.

Williston On Contracts, pg. 477 says: "... it seems that they may agree in the code which they are using, though it is a code peculiar to themselves, 'horse' shall mean 'cow,' or that 'buy' shall mean 'sell'."

It seems to me that the parties agreed upon a meaning of the word "net" and that that meaning will prevail.

THE parties entered into a real estate sales contract. The price was \$10,000, and the contract provided, "subject to an encumbrance of \$5,000." The courts have interpreted this language to mean that the mortgage is not to be deducted from the purchase price. When it came to closing the deal the seller insisted upon this interpretation, but the buyer insisted that the understanding was that the mortgage was to be deducted.

Williston On Contracts, pg. 487, says: "... there are some technical words and phrases that have acquired so definite a meaning in the law that it would be difficult to induce a court to give a contrary interpretation to the words, especially in a formal instrument, though from the whole document and from the surrounding circumstances it was highly improbable that the parties attached to the words their technical significance."

It would seem that "subject to" are such words. Observe that he does not say that a court will not give a contrary meaning but that it would be "difficult" to induce a court to do so.

If the buyer can show by a clear preponderance of the evidence that the understanding was that the mortgage was to be deducted, he could have the contract corrected by a suit brought for that purpose.

ABROKER called on an owner with an offer on a property that was not listed with the broker. The broker told the owner that if the offer was accepted his commission would be 5%. The owner said, "Is it understood that if there is no deal there is no commission?" The broker said, "That's understood." With that understanding the broker was told to go ahead. He found a buyer, but when the title was brought down to date, an objection to the title appeared which could not be removed. The owner refused to pay a commission, because he claimed that since there was no deal he was not liable for a commission, and this is what he understood the language used by him meant. The broker understood the language to mean that if a deal was not made without any fault of the owner no commission was to be paid. I think that the language might mean either, and if such is the case there was no contract with the broker, and no commission.

Product Progress

(Continued from page 11)

follows on the job. The walls are assembled stud by stud, then raised and mounted on the floor plan. The joists, gable ends and rafters follow. The frame is then topped off with siding, roofing and chimney. The model is 18"x23 1/2"x10". It also makes a good window display.

For Compact Cooking Areas

2-11



Frigidaire announces a new smokeless, fume free oven for 1956. A small automatic catalytic unit concealed in the oven vent dissipates smoke and fumes before they leave the range. This built-in wall oven has convenient French doors, automatic controls on a panel across the top of the oven, and matching fold back surface cooking units. An automatic rotisserie is an optional feature for 1956.

Hideaway Attic Stairway

2-12

This improved "hide-away" disappearing attic stairway, featuring fingertip control, disappears completely into the attic and leaves a finished panel on the face of the ceiling. Designed for homes in need of additional storage space, it meets all rigid safety requirements and is unconditionally guaranteed by the manufacturer, the Newark Ladder & Bracket Company. It comes completely assembled in a rugged frame for simple installation.



New Automatic Display

2-13

A new economical sales aid for convention booths, counter and window displays has been announced by the Aids Development Company, Inc. Carrying the trade name, "Displa-O-Matic," this precision display automatically changes messages every 10 seconds. Presents a complete 24 page story, two 12-page stories or three 4-page stories every two minutes. "Displa-O-Matic" revolves continuously. Display cards can be replaced easily and frequently for



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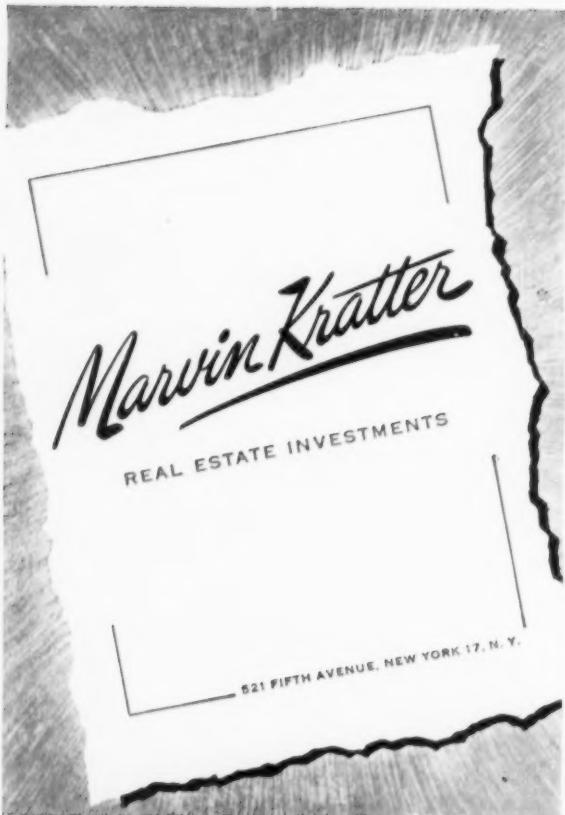
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up-to-the-minute sales messages. According to the manufacturer, it is a valuable aid in helping a salesman drive home selling points, showing how his products are made, describing the working of a machine or taking a customer on a graphic trip through a project of homes while seated at his desk.

Markay Canopies

2-14

Facing an ever-increasing market for up-dating of existing fronts on stores, restaurants, and other commercial buildings, architects and builders will find the new Markay entrance canopies of considerable interest. These canopies are designed and prefabricated for labor-saving assembly and easy erection, and according to Stelzer Molding Co., developers of the product, they meet all building code requirements. The clean-cut profile of the aluminum fascia adds a modern touch to older buildings. The aluminum moldings are non-rusting, non-corrosive and are anodized to preserve their finish. The translucent fiber glass panels may be used in decorative colors or neutral, and permit passage of light with substantial reduction in heat rays.



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Need a Savings and Loan Directory?

2-15

The first directory of savings and loan associations giving complete coverage to the United States has come off the presses. It includes state and federally chartered associations and the cooperative banks which are the savings or building and loan associations in certain New England States. It lists over 6,000 such institutions. The directory is copyrighted and published by the T. K. Sanderson Organization. For each S&L listed in its 228 pages, it presents the name and address of its headquarters, the name of its chief executive officer, and data as to its size.

Shatterproof Bath Enclosure

2-16

A new shatterproof bath enclosure made of fiber-glass is now being marketed by Strick Plastic Corporation, manufacturers of Dayco products. Made of the same strong material developed for sports cars and airplanes, the Daycor bath enclosure can take the rough treatment meted out by elbows and mop handles without danger of breaking or chipping. Surrounded by sparkling aluminum framing, the Daycor bath enclosure is easy to handle and needs no polishing since the fiberglass does not soil or hold moisture. Available in six decorator colors to match existing bathroom decor, the Daycor bath enclosure is translucent and admits enough light to keep the bathroom looking light and spacious.



no polishing since the fiberglass does not soil or hold moisture. Available in six decorator colors to match existing bathroom decor, the Daycor bath enclosure is translucent and admits enough light to keep the bathroom looking light and spacious.



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PERFECT HOME Magazine has been our silent partner and good will ambassador for more than six years. Its effectiveness is evidenced by the numerous requests for inclusion on the mailing list. Our salesmen find that its many stimulating ideas greatly impress the newcomers to our community with its usefulness in planning a new home or improving an old one.

"Established families tell us it is equally useful for ideas in modernizing older homes and keeping up with the latest trends conducive to comfortable, convenient and pleasant living.

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Mr. Fossey's reception of PERFECT HOME is specially pleasing to us as publishers. For more than a quarter of a century, PERFECT HOME has been serving blue ribbon organizations the nation over in home selling, home financing and home building. Mailed to a select list of key, influential families in a community, PERFECT HOME stimulates powerful third-party influence for the sponsoring group. It performs a service for these families, bringing them each month the best ideas in home building, decorating and furnishing. It's quality connotes high ethics and fair dealing for the sponsoring group.

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The Fossey family has been in real estate and land development in south Florida since 1906. The father, A. D. H. Fossey, former mayor of Miami, past president of the Miami Board of Realtors and civic leader, is now retired. His eldest son, Ralph A. Fossey, now carries on the business. Tom and Cliff Fossey, younger brothers, are associates. R. A. Fossey, a former lieutenant commander of the U.S.N.R., holds several offices in local and state real estate groups and civic organizations.



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Number 129 in a Series



CONSTRUCTION experts of the National Association of Home Builders expect "sound conditioning" to receive more attention in new homes in the future, as well as a considerable expansion of the trend towards air conditioning. Standardization of the component parts of the house—closets, doors, windows—as well as off-site prefabrication, are also expected to achieve wider acceptance. NAHB points to the increasing use of architects and color specialists in subdivision developments as revealing greater interest in design and appearance.

A boon to the busy or the timid housewife has come to the market in the form of the "Dorphone," an electronic door-answering intercom system. The new product permits two-way communication between any central point in the house (such as the kitchen), and the front and rear doors. The manufacturer points out that this eliminates the need for opening the door to peddlers, strangers or high-pressure salesmen.

Louis Smadbeck, vice president of Charles F. Noyes Company, Inc. of New York, recently completed a

transaction in 48 hours that involved the sale of 22 buildings in Camden, New Jersey. The buildings contained a total of 316,000 square feet and covered five acres of ground. The sale was an all cash transaction and the property was assessed for taxes at approximately \$675,000. A. J. Bamberger Company of Philadelphia was associate broker, and C. J. Mitchell and Company acted as consultant to Armstrong Cork Company, the seller. The property was offered to the Noyes Company on December 27th, inspected by Smadbeck and Seymour and Jerome Berger (the purchasers) on the 28th. Title was closed the same day.

The year 1955 was the greatest in the 11-year history of the GI loan program for home-buying veterans. VA estimates that 650,000 veterans received loans totaling over \$7 billion during 1955, and expects the total to be even higher in 1956. The 1955 volume is 58% above the 1954 volume, and 20% above the previous record year of 1947 when 542,000 loans were guaranteed. In 11½ years of operation, VA has underwritten more than four million loans with an original principal of \$33 billion.

Two important announcements have come from prefabricators in recent days. The first, from Scholz Homes of Toledo, Ohio, concerns its newly formed acceptance corporation which will furnish interim financing for Scholz dealers wherever it is not available. The acceptance corporation will not be the permanent lender but will arrange permanent mortgage "take outs" when necessary.

Richmond Homes, Inc., of Richmond, Indiana, has announced first results of the sale of 140,000 shares of common stock at \$5 a share. The stock prospectus reveals a healthy profit gain in the past three years, and before the end of the first day of the offering the stock had risen to 5½.

Legislation is already pending before the Senate to enact a "National Flood Insurance Act," by which government re-insurance of private flood insurance programs would meet the needs dramatized by the recent east and west coast catastrophes. Housing and Home Finance Agency experts have done considerable research on the problem of flood insurance, and the FHA has authorized 100%, 30-year insured mortgages for families whose homes were lost in the floods.

Real estate in New York will continue to be as good or even better than 1955, with more buyers than offerings, according to H. Robert Mandel, president of Abbott and Adams, Inc. of New York. Mandel says, "More facilities will be offered to small realty investors to provide them with the same tax benefits and capital gain opportunities usually available to the larger investor." Mandel also says, "Modern air conditioned, acoustically treated, scientifically lighted, well-planned office buildings, with large single floor areas, will continue to be built and rented. . . . There will be continued substantial activity in the modernization and air conditioning of old space."

Milwaukee, largest city in Wisconsin, also became the first to receive approval of its workable program for the elimination of slums and blight. Milwaukee had been provided with federal funds for preliminary redevelopment planning in seven areas in 1952, and as a result of these studies, three projects have been singled out.

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